

FISCAL NOTE

Bill #: SB0131

Title: Board of Investments purchase of loans from local development organizations

Primary Sponsor: Barkus, G

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:	\$0	\$0
Revenue:		
General Fund	(\$40,000)	(\$70,000)
Net Impact on General Fund Balance:	(\$40,000)	(\$70,000)

- | | |
|--|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. SB 131 creates an intermediary re-lending program within the Board of Investments, requires that loan proceeds be used as matching funds for federal rural development loan programs, provides for repayment and interest terms, and allows the board to purchase a portion of seasoned or mature loans from local economic development organizations.
2. Loans will be funded from the permanent coal tax trust fund with a maximum allocation of \$5 million. The permanent coal tax trust fund monies used to fund the program are currently invested in the trust funds bond pool, which is assumed will yield 6 percent in FY 2004 and 5.50 percent in FY 2005.
3. Individual loans may not exceed \$500,000 and borrowers will be local economic development organizations approved by the Board of Investments. Loaned funds must be matched with federal loan funds or be a seasoned or mature loan. Loans will bear interest at 2 percent per annum with 30 year terms and have interest-only payments in the first three years.
4. Approximately \$1.0 million will be loaned in FY 2004 and an additional \$1.0 million loaned in FY 2005.
5. Permanent coal tax trust fund investment income is currently deposited in the general fund. Therefore, the general fund would see the reduction in revenues that occurs when monies invested at 6 percent in FY 2004 and 5.50 percent in FY 2005 are invested at 2 percent. To the extent these loans create new businesses and new jobs, an offset in general fund revenues would be realized.
6. SB 131 has no fiscal impact on the Board of Investments.

Fiscal Note Request SB0131, As Introduced
(continued)

FISCAL IMPACT:

	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
<u>Revenues:</u>		
General Fund (01)	(\$40,000)	(\$70,000)

LONG-RANGE IMPACTS:

1. The general fund will incur a long-term loss of investment income. Assuming the entire \$5 million is loaned, general fund investment income will be reduced approximately \$175,000 per year going forward. This number is calculated using a yield of 5.50 percent on monies invested in the trust funds bond pool compared to the 2 percent rate authorized in SB 131.
2. To the extent these loans create new businesses and new jobs an offset in general fund revenues will be realized.